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SIPDIS

INL, NEA/ARP, JUSTICE FOR OIA, AFMLS AND NDDS, TREASURY FOR FINCEN

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TAGS: [KSEP](#) [SNAR](#) [PTER](#) [KCRM](#) [YM](#) [TERFIN](#)

SUBJECT: 2002-2003 INCSR SUBMISSION: YEMEN

REF: A. 02 SECSTATE 240035

[B.](#) SECSTATE 11620

¶11. (U) Summary: Per request in reftels, below is Embassy Sanaa's response for the International Narcotics Control Strategy Report (INCSR). End summary.

MONEY LAUNDERING

¶12. (U) Yemen has no anti-money laundering legislation. Though the extent of money laundering is unknown, the lack of legislation, the existence of Islamic banks and the prevalence of Hawala make Yemen vulnerable to money laundering. Yemen's banking sector is small and rudimentary. It is composed of 12 commercial banks and two public sector specialized banks. The Central Bank of Yemen supervises the country's banks.

¶13. (U) In early 2001, the Central Bank presented a preliminary draft of anti-money laundering legislation to the Bankers Association for recommendations. It was approved by the Central Bank's Board of Directors on May 27, 2002 and passed to the Yemeni Government on June 25, 2002. President Saleh submitted the proposed legislation to Parliament on July 30, 2002, and Prime Minister Ba Jamal reiterated calls for its timely passage in December 2002. When enacted, the legislation will place money laundering, and related activities, on a list of illegal actions along with embezzlement, theft, and kidnapping. The proposed law also forbids opening bank accounts under fictitious names.

¶14. (U) Yemen is a party to the 1988 UN Drug Convention and has signed but not yet ratified the UN convention against Transnational Organized Crime.

TERRORIST FINANCING

¶15. (U) ROYG incorporated anti-money laundering provisions in its anti-terror campaign and added a new anti-terrorist financing section to pending anti-money laundering legislation. In Yemen terrorist financing is considered a serious crime. The Yemeni government has the authority to identify, freeze and seize terrorist assets under ROYG's Council of Ministers Resolution of October 2, 2001. Yemen circulated to its financial institutions the list of individuals and entities that have been included on the UN 1267 Sanctions Committee's Consolidated List as being linked to Usama Bin Laden, members of the Al-Qa'ida organization or the Taliban, or that the USG or the E.U. have designated under relevant authorities. Yemen identified, froze, and seized those assets.

¶16. (U) Yemen has taken no quantifiable steps to regulate alternative remittance systems, however such initiatives are being considered. The ROYG asserts that a majority of hawala now goes through banks rather than informal local agents or moneychangers. The Central Bank of Yemen licenses and regulates moneychangers, and they are not allowed to maintain accounts for their customers.

¶17. (U) The ROYG has taken steps to thwart the misuse of charitable and or non-profit entities that can be used as conduits for the financing of terrorism. A 2001 law governing charitable societies imposes penalties of imprisonment and/or fines on any society or its members for carrying out activities or spending funds in contravention of the aim and purpose for which the society was set up. However, it is unclear whether the law is strongly implemented by the Ministry of Pensions and Social Affairs, which oversees the activities of charitable societies.

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